

MINUTES

**North Dakota Public Employees Retirement System
Thursday, June 19, 2003
BlueCross BlueShield
107 West Main
Bismarck, North Dakota**

Members Present:

Chairman Jon Strinden
Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Arvy Smith
Ms. Sandi Tabor

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Howard Snortland, AFPE
Ms. Sheila Vetter, Job Service North Dakota
Ms. Mary Schwab, Job Service North Dakota
Mr. Wayne Kindem, Job Service North Dakota

Via Video Conference

Mr. John Garrett, Segal
Mr. Walley Malles, Segal

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the May 22, 2003 NDPERS Board minutes.

Mr. Baetsch moved approval of the May 22, 2003 NDPERS Board minutes. Ms. Smith seconds.

Job Service Retirement Plan (Informational)

Mr. Wayne Kindem, Director of Administrative Services, Job Service North Dakota along with Ms. Mary Schwab and Ms. Sheila Vetter, presented the Board with a history of the Job Service Retirement Plan and an overview of the benefits.

Interest on Employee Account Balance (Informational)

Mr. Collins indicated that at the April meeting the Board heard a discussion by Segal on the actuarial implications of the interest paid on employee account balances. At the May meeting the Board followed up on the discussion from April and reviewed a staff memo that provided further background on the issue and a staff recommendation to change the interest rate. Mr. Collins reviewed the information received on the following questions asked by the Board the month prior:

- What has been the return of the retirement plan over the last several years?
- Is the 7.5% interest rate compounded?
- What has been the 5 year CD rate over the last 10 years?
- What are the legal considerations of changing the rate?
- What do the board meeting minutes indicate concerning the action to set the rate at 7.5%?
- Identify some options to our present method

Mr. Baetsch informed the board that the Association of Former Public Employees had reviewed this issue and is recommending the Board change the interest rate. Ms. Sand pointed out that if the long term assumptions are correct the fund should be able to support the rate. It was also discussed that when the fund was doing better then 8% we didn't increase the rate and therefore it may not be equitable to decrease the rate when the fund is getting less then 8%. Further discussion followed. Mr. Baetsch made a motion to use the indexing of the CD from the Bank of North Dakota. Motion dies, no second. Discussion followed.

Ms. Sand motions to leave the interest on Employee Account Balance the way it currently is. Ms. Tabor seconds.

Ayes: Gunkel, Sand, Tabor, Smith and Chairman Strinden.

Nays: Baetsch and Sage

Absent:

PASSED

Investment Committee Report (Board Action Requested)

Mr. Collins indicated that the investment subcommittee met and reviewed the 1st quarter 2003 investment reports for the Defined Contribution 401(a) plan and 457 Deferred Compensation Companion Plan. Mr. Collins indicated that the committee found the Invesco Dynamics fund (FIDYX) has not met its performance standards. Included in the board materials was a letter from American General indicating that they have placed the Invesco Dynamics fund on watch.

Mr. Collins also indicated that at the October, 2002 board meeting, the Strong Opportunity fund (SOPFC) was placed on 'formal fund review'. Since that time, the fund has not improved to meet its performance standards.

Mr. Collins indicated that the investment subcommittee is recommending placing the Invesco Dynamics fund on formal fund review and notifying the membership. Also placing the Strong Opportunity fund in a closed status and notifying the membership.

Ms Sand moves approval of subcommittee's recommendation to place the Invesco Dynamics fund on formal fund review and notifying the membership. And placing the Strong Opportunity fund in a closed status and notifying the membership. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Tabor, Sage, Smith and Chairman Strinden.

Nays:

Absent:

PASSED

Law Enforcement Plan (Board Action Requested)

Mr. Collins indicated that this last session SB 2033 passed expanding the National Guard system eligibility to political subdivisions in order to provide a retirement plan for law enforcement personnel. At the last meeting the board discussed several of the challenges facing implementing this bill and relating to the ongoing administration of the National Guard plan. Specifically this relates to the employer contribution requirement for the plans. Unlike the other plans where the employer contribution is set in statute, for the National Guard/law enforcement plan the PERS Board is given the authority to establish the rate. Therefore the Board must determine a contribution methodology and employer rate for the National Guard and for the political subdivisions. In making this determination, the first issue is should this system have a single rate for the National Guard and law enforcement employers or should the rate be broken down by subgroups and if so what and how should the subgroups be defined?

Mr. John Garrett and Mr. Wally Malles, from Segal were present via video conference and reviewed their findings with the board.

First, Segal suggested having one employer rate for the National Guard, a second rate for political subdivisions that were participating employers of the PERS main system at the time of joining the law enforcement plan and a third rate for political subdivisions that were not on the PERS system.

Secondly, concerning the National Guard rate Segal reviewed planning projections for the next several years. These projections showed that maintaining the 8.33% contribution rate would be the most prudent funding method. Therefore Segal recommended maintaining the same employer contribution rate.

Thirdly, Segal reviewed the data they had used in the law enforcement study during the interim. Based on this information Segal recommended an employer contribution rate 8.31 for political subdivisions that participated in PERS and 6.43 for political subdivisions that did not participate in PERS. Segal based this recommendation on past service liability of one group versus the other and the most equitable method of recognizing it in setting the contribution rate.

Mr. Gunkel moved approval of Segal's recommendation. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Tabor, Sage, Smith and Chairman Strinden.

Nays:

Absent:

PASSED

Disability consulting Contract (Board Action Requested)

Ms. Allen indicated that the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2003. The Board must determine whether to go out for bid or renew the present contract. Our current contract rate is \$140.00 an hour. Mid Dakota clinic has indicated they wish to continue to perform these service for NDPERS at the

same rate of \$140 an hour for the July 1, 2003, through June 30, 2004, contract period. The amount paid in consulting fees for this contract period beginning on July 1, 2002 to date is \$4,121.25.

Staff recommends that we renew the disability consulting contract for the period July 1, 2003 through June 30, 2004, at the rate of \$140 an hour.

Ms. Sand moved approval staff recommendation to renew the disability consulting contract with Mid Dakota Clinic for the July 1, 2003, through June 30, 2004, at the rate of \$140 an hour. Ms. Smith seconds.

Ayes: Baetsch, Gunkel, Sand, Tabor, Sage, Smith and Chairman Strinden.

Nays:

Absent:

PASSED

Health Plan SPD (Board Action Requested)

Ms. Allen indicated that a copy of the draft SPD for active employees was included in the board materials. It was noted that this would be basically the same for retirees. Discussion followed.

Ms. Tabor moved approval of the draft SPD for PERS. Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden.

Nays:

Absent:

PASSED

Plan Document Changes Board Action Requested)

Mr. Collins indicated that SB 2058 provided that an employer could make supplemental contributions to the Defined Contribution Plan. Specifically the section of statute states:

SECTION 18. A new section to chapter 54-52.6 of the North Dakota Century Code is created and enacted as follows:

Additional employer contributions. Additional lump sum contributions by an employer to a participating member's defined contribution retirement plan account may be made if the participating member has twenty-five years of service, has not retired, and has not received a retirement benefit under this chapter. Contributions may be made in an amount actuarially equivalent to the amounts determined pursuant to chapter 54-52 as follows:

1. For the conversion of sick leave pursuant to section 54-52-27;
2. The equivalent of up to five years of service credit unrelated to any other eligible service as provided in subsection 5 of section 13 of this Act.

Mr. Collins indicated that one of the steps to implement this is to amend the Defined Contribution Plan Document. Segal has developed the necessary amendments. First drafts of the changes were included in the board materials.

The board asked staff to have the changes identified and brought back to the next meeting.

Fidelity Renewal and Defined Contribution & Deferred Comp Vendor Selection (Board Action Requested)

Mr. Collins indicated that the contract with Valic expires next summer and the contract with Fidelity expires this month. Pursuant to our previous discussions staff will be coordinating the new vendor selection to go to market with both plans at the same time. Therefore the current contract with Fidelity will need to be renewed for the next two years and give them notice that the agreement will be terminating in the summer of 2004. Mr. Collins indicated that staff will need to get started on the new bid process.

Mr. Collins indicated that the first step in the process is to determine if a consultant is needed to assist with the RFP and selection process. Last time the Segal Company was used.

The second step is to determine how to select a consultant if the board decides to have this assistance. We could again retain Segal or develop a formal bid and send it to the major consulting firms. The goal would be to select a firm by September, which would mean that staff would need to issue an RFP by July.

Mr. Sage moved approval to: renew the Fidelity Contract for one year, to use a consulting firm and to select a consulting firm by RFP. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden.

Nays: None

Absent:

PASSED

Election Results (Board Action Requested)

Ms. Allen indicated that on June 16, 2003, the Election Committee met to review and validate the results of the election for the opening on the PERS Board. The results were reviewed and accepted.

Ms. Allen indicated that Mr. Howard Sage was elected by the active membership. His term will begin July, 2003 and run through June 30, 2008.

Mr. Baetsch moved approval of the Election Committee results. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden.

Nays: None

Absent:

PASSED

Conferences (Board Action Requested)

Mr. Collins indicated that the 2003 Annual National Association of Government Defined Contribution Administrators (NAGDA) conference is September 20 through 24. In the past the Board has approved for one member of the Board to attend the conference.

Mr. Sage moved approval of one Board member to attend the conference. Ms. Smith seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden.

Nays: None

Absent:

PASSED

Political Subdivision New Contract (Board Action Requested)

Mr. Collins indicated that an issue has arisen relating to two schools that are merging. One of the schools is currently participating with PERS and the other is not. The contract we currently use does not recognize this situation and a new contract should be drafted.

**Ms. Sand moved approval for Mr. Scott Miller to draft new contract for these situations.
Ms. Tabor seconds.**

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden.

Nays: None

Absent:

PASSED

At 10:12 AM the board meeting went into closed session.

At 10:16 AM the board meeting went into open session

Chairman Strinden called for any other business, hearing none the meeting adjourned at 10:17 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*